

To: Users of the Manual
From: Andrew Jarvis
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UPDATE TO THE HAT CHARITIES MANUAL – JUNE 2016 (10/17)

The HAT Charities Manual (June 2016) has been updated to reflect the Charity Commission's revised Directions and Guidance for Independent Examinations which are mandatory for **reports signed on or after 1 December 2017**. Consequently Chapter 4 of the Manual has been comprehensively re-written, including splitting the Independent Examiner's Work Programme into two documents – one for planning and fieldwork and a second for finalisation.

The updated Manual should be used as follows:

- **For audit assignments** – for periods commencing on or after 17 June 2016. However, the changes from the original version of the June 2016 Manual (which are summarised below) are very minor and assignments underway can be completed using either version of the Manual; and
- **For independent examination assignments** – immediately regardless of the accounting period.

A list of documents which have been updated is provided at the end of this Memo. All updated documents are dated '10/17' in the right hand footer and the name of the Manual has also been updated to incorporate this date.

We recommend that any existing copies of the Charities Manual (June 2016) are deleted and replaced by this updated Manual. The Charities Manual (January 2015) should be retained if you are still working on audit assignments for charities with accounting periods commencing before 17 June 2016.

Action to take on Independent Examination assignments already underway

The new Directions are mandatory for any reports signed on or after 1 December 2017. For assignments which have already commenced (using any previous version of the Manual) but are expected to be completed on or after 1 December 2017 the following must be evidenced on file in addition to the requirements of the Manual used:

- Appendix 4.2.3 – Ethical Considerations Checklist – this **must** be completed as soon as possible to confirm you are still able to undertake the assignment;
- The new Directions place greater emphasis on the examiner evidencing knowledge of the client through discussions with the trustees. Therefore it should be ensured that discussions held with the client at the planning stage were adequately documented;

- It should be confirmed that disclosure of related party transactions in the financial statements are consistent with the examiner's expectations. However, unlike an audit there is no requirement to verify the completeness of disclosures given;
- Where there was uncertainty about the appropriateness of accounting policies (including those relating to fund accounting) or accounting estimates, it should be ensured that there is clear consideration of the issue on file;
- The requirements relating to going concern have also been bolstered and firms should complete questions 8 to 13 of Appendix 4.2.5;
- It must be ensured that independent examiner's report provided to the client is consistent with the examples provided in the updated Manual.

Although we have updated the letters of engagement for independent examinations, the changes are not significant enough to require new letters to be issued immediately.

Summary of Changes Made to the Manual

As explained above the whole of this Chapter has been updated. Other changes to the Manual are minor and are as follows:

- Appendix 1.6.1 – Entitlement to Audit Exemption – minor change to the guidance clarifying the impact of old governing documents (dating from before 1993) requiring an 'audit';
- Appendix 1.9.1 – Permanent File Checklist – this has been amended to allow it to be utilised in Independent Examination assignments – there is no practical change to this form when used on audit assignments;
- Appendix 1.10 - Ac8-1 Preliminary Planning Procedures - Client Involvement - this has also been amended to allow it to be utilised in Independent Examination assignments – there is little practical change to this form when used for audit assignments;
- Appendices 1.3.1, 1.3.2 and 1.3.3 – Pro-forma letters of engagement and Appendix 1.21 – Assignment Terms Letter – there are minor changes to these letters to ensure consistency with other HAT Manuals following TM 12/17. However, if you have issued a letter based on the previous version of the Manual there is no need to update your letter for the changes made;
- Pro-forma documents have been updated to the July 2017 version as explained in TM 12/17.

We are now working on releasing an update of our paperless CaseWare Charities template for firms who subscribe to it. However, in the interim those firms working on, or who are about to commence work on an Independent Examination assignment using the CaseWare template should insert the programmes from Chapter 4 above into the client file and complete these in place of the programmes in the template.

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email andrew@hatgroup.co.uk.